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ANCHOR PETROLEUMS LIMITED

Annual Report to Shareholders

YEAR
ENDING
31st January, 1967

ANCHOR PETROLEUMS LIMITED

CAPITAL

Authorized6,000,000 shares par value \$1.00

Issued4,400,000 shares

DIRECTORS AND OFFICERS

DANIEL E. WILLITS, Wardsville, Ontario*President and Director*

JOHN H. QUIGLEY, Fort Lauderdale, Florida*Vice-President and Director*

ROBERT A. LITTLE, Miami, Florida*Secrétary-Treasurer and Director*

DONALD F. GARDNER, Miami, Florida*Director*

DALE ROBERTSON, Hollywood, California*Director*

AUDITORS

Thorne, Gunn, Helliwell & Christenson

Toronto, Ontario

HEAD OFFICE

Suite 306, 347 Bay St.

Toronto, Ontario

FIELD OFFICE

P.O. Box 32

Wardsville, Ontario

REGISTRAR AND TRANSFER AGENT

CROWN TRUST COMPANY

Toronto, Ontario

Shares are listed on the Toronto Stock Exchange

ANCHOR PETROLEUMS LIMITED

347 Bay Street, Suite 306

Toronto 1, Ontario

REPORT FROM THE PRESIDENT

TO THE SHAREHOLDERS:

All the efforts of our field crew have been devoted to the completion of four new oil wells in Sombra Township (Ontario) including the purchase and installation of feeder lines and production equipment.

In the adjacent Mosa Township, under the direction of the Haliburton Company, the formation has been fractured in a key well located in the centre of our field surrounded by 20 producing gas wells. This has resulted in a marked increase in production with commensurate returns.

We continue to pipe gas under an exclusive contract with Union Gas Company. The seven mile gas transmission line (which is our property) is in good condition requiring little or no maintenance costs. We have also been granted permission by the local authorities to connect this pipe line with an ever growing number of consumers.

It is safe to state that for the first time in the Company's history, the entire natural gas production is being sold throughout the entire twelve months of the year.

A geological and geophysical survey has been ordered to enable us to locate additional new wells on our existing leases and we expect to acquire an additional 50 acre location offsetting our producing wells.

Negotiations are now in progress for the acquisition of five existing wells, all of which are good producers, on terms favourable to the Company.

Respectfully submitted on behalf of the Board,

DANIEL E. WILLITS,

President

August 10, 1967.

ANCHOR PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — JANUARY 31, 1967

A S S E T S

Current Assets

Cash	\$	4,528	
Accounts receivable		6,811	\$ 11,339

Capital Assets

Interest in petroleum and natural gas leases at cost less amounts written off		15,372	
Intangible well costs, producing wells		220,711	
Equipment at cost	111,933		
Less accumulated depreciation	74,672	37,261	273,344

Other Assets and Deferred Expenditures

Deferred exploration, development and administrative expenditures		347,031	
Inventory of supplies at cost		3,512	
Prepaid insurance		1,622	
Sundry deposits		3,830	
Organization and recapitalization expense deferred		3,905	359,900
			<u>\$ 644,583</u>

L I A B I L I T I E S

Current Liabilities

Bank loan	\$	75,000	
Accounts payable		19,622	\$ 94,622

Shareholders' Equity

Capital stock

Authorized — 6,000,000 shares of \$1 each			
Issued — 4,400,000 shares		4,400,000	
Less Discount on shares		3,531,860	
		868,140	
Deduct deficit		318,179	549,961

NOTE: As the Company is in the exploratory stage, exploration, development and administrative expenditures are deferred. Net income from production is deducted from the expenditures deferred.

\$ 644,583

Approved on behalf of the Board:

"D. E. WILLITS", Director

"R. A. LITTLE", Director

ANCHOR PETROLEUMS LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year ended January 31, 1967

	Balance Feb. 1, 1966	Year ended Jan. 31, 1967	Balance Jan. 31, 1967
Petroleum and natural gas exploration and development			
Geological fees and field expense	\$ 18,684	\$ 279	\$ 18,963
Field supervision and office expense	72,052	1,659	73,711
Lease rentals and government fees	56,336	440	56,776
Depreciation of equipment	917		917
Abandoned well costs	117,395		117,395
	<u>265,384</u>	<u>2,378</u>	<u>267,762</u>
Administrative and general expenses			
Executive salaries	9,654		9,654
Head office administrative expenses	79,870	4,225	84,095
Directors' fees and expenses	5,928	200	6,128
Travel expense	8,687	52	8,739
Legal and audit fees	28,232	2,796	31,028
Share issue and transfer expenses	50,271	942	51,213
Shareholders' information and publicity	23,061	1,117	24,178
Interest expense and bank charges	5,857	4,518	10,375
Miscellaneous expenses	20,854	1,733	22,587
	<u>232,414</u>	<u>15,583</u>	<u>247,997</u>
Total expenditures	497,798	17,961	515,759
<i>Deduct</i> — Net revenue from production	151,396	540	151,936
— Other revenue	16,548	244	16,792
	<u>167,944</u>	<u>784</u>	<u>168,728</u>
Balance deferred	<u>329,854</u>	<u>17,177</u>	<u>347,031</u>

STATEMENT OF DEFICIT

Year ended January 31, 1967

Balance at beginning of year	\$ 306,221
<i>Add</i>	
Interest in petroleum and natural gas leases abandoned	992
Loss on sale of royalty interests	2,339
Provision for loss on recovery of sundry deposit and advance	8,627
	<u>11,958</u>
Balance at end of year	<u>\$ 318,179</u>

ANCHOR PETROLEUMS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended January 31, 1967

Source of Funds

Net revenue from oil production after elimination of depreciation charge not requiring cash outlay	\$	2,732	
Sundry deposit returned		460	
Decrease in prepaid insurance		1,132	
Other revenue		244	\$ 4,568

Application of Funds

Additions to capital assets (net)	16,737		
Provision for loss on recovery of sundry deposit and advance charged to deficit	8,627		
Exploration and administrative expenditures	17,961		
Increase in inventory of supplies	188	43,513	
Increase in working capital deficiency		38,945	
Working capital deficiency at beginning of year	\$ 44,338		
Increase in working capital deficiency	38,945		
Working capital deficiency at end of year	\$ 83,283		

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Anchor Petroleum Limited as at January 31, 1967 and the statements of exploration, development and administrative expenditures deferred, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at January 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 19, 1967

GUNN, ROBERTS and CO.
Chartered Accountants

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ANCHOR PETROLEUMS LIMITED

Suite 306, 347 Bay Street

Toronto 1, Ontario

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of Shareholders of ANCHOR PETROLEUMS LIMITED will be held in the Toronto Room in the King Edward Sheraton Hotel, 37 King Street East, Toronto, Canada, on

THURSDAY, THE 31st DAY OF AUGUST, 1967

at the hour of 10:30 o'clock in the forenoon (Toronto time) for the following purposes:

- (a) to receive and consider the financial statement for the year ended January 31, 1967 (including the balance sheet and accompanying statements together with the Auditors' Report thereon dated June 19, 1967) and all the transactions reflected thereby, the Report by the President on behalf of the Board of Directors dated August 10, 1967 all contained in the Annual Report submitted herewith;
- (b) to elect directors and fix their remuneration;
- (c) to appoint auditors and authorize the board to fix their remuneration;
- (d) to transact such other business as may properly come before the meeting.

Pursuant to a resolution of the board, Proxy Forms to be used at the meeting must be deposited with the Company at its head office, Suite 306, 347 Bay Street, Toronto, Ontario not less than 48 hours preceding the meeting.

DATED at Toronto, Ontario, this 10th day of August, 1967.

By Order of the Board

ROBERT A. LITTLE,

Secretary-Treasurer.

INFORMATION CIRCULAR

1. Solicitation of Proxies

This information circular is furnished by the management of Anchor Petroleums Limited (the "Company") in connection with the solicitation of proxies to be used at the annual meeting of shareholders of the Company to be held in Toronto on August 31, 1967 for the purposes set forth in the annexed notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by directors, officers and regular employees of the Company. The cost of such solicitation will be nominal and will be borne by the Company.

2. Appointment and Revocation of Proxies

The persons named in the accompanying proxy form are nominees of management. **A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the proxy form, striking out the names of management's nominees and initialling the change, or by completing another proxy form.** In either case the completed proxy form must be delivered to the secretary of the Company.

A shareholder who has given a proxy may revoke it at any time as to any matter on which a vote has not been cast either (a) by signing a proxy bearing a later date and delivering it to the secretary of the Company, or (b) by signing a notice of revocation of the proxy and delivering it to the secretary of the Company or the chairman of the meeting.

3. Exercise of Discretion by Proxies

The proxies named will vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, such shares will be voted for the approval of the financial statement for the year ended January 31, 1967 (including the balance sheet and related statements) and the transactions reflected thereby, and for the election of directors and the appointment of auditors as stated under those headings in this circular, and for the confirmation of By-law No. 40. The proxy form submitted herewith confers discretionary authority upon the proxies named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and to other matters which may properly come before the meeting.** At the date of this circular the management of the Company is not aware that any such amendments or variations or other matters are to be presented for action at the meeting.

4. Voting of Shares

All shareholders of record at the time of the meeting are entitled to vote at the meeting. On the date of this information circular there were 4,400,000 equity shares outstanding all of one class, each carrying the right to one vote.

5. Election of Directors

The board comprises five directors. Directors hold office until the annual meeting following their election or appointment.

The officers and directors intend to nominate and cast all shares held by them and all proxies in their favour FOR the election of the following:

Name of Director and Office Held in Company	Principal Occupation During Past Five Years	Director of Company Since	Shares Owned Beneficially
DANIEL E. WILLITS Director and President	Field Manager, Wardsville, Ontario, director of Cordwell International Developments Limited	1967	40
JOHN H. QUIGLEY Director and Vice-President	Insurance Broker, Fort Lauderdale, Florida, Coral Ridge Insurance Agency Inc., formerly with Florida State Beverage Department President and director of Cordwell International Developments Limited	1967	1
ROBERT A. LITTLE Director and Secretary-Treasurer	Corporate Secretary, Miami, Florida, graduate architect, University of London, President of Concord Shopping Center Inc. director and secretary-treasurer of Cordwell International Developments Limited	1967	1
DONALD F. GARDNER Director	Executive, Miami, Florida, President of Keely, Gardner, Swasey, Inc. director of Cordwell International Developments Limited	1967	1
OSCAR WHITE Proposed as a director	Attorney-at-law, Miami, Florida, self-employed	1967	1

Management is not presently aware that any of the above nominees are unwilling or unable to serve as a director if elected. But should any vacancy occur in the above slate of nominees, the remaining nominees shall nominate as directors any other person or persons of their choice.

6. Appointment of Auditors

The proxies named by management in the proxy form intend to cast all their votes for the re-appointment as auditors of the Company, Thorne, Gunn, Helliwell & Christenson, which firm and its predecessor, Gunn, Roberts & Co., has been auditors of the Company for more than five years.

7. Other Matters

Management is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if any other matters properly come before the meeting, it is the intention of the persons named in the accompanying proxy form to vote the said proxies in accordance with their best judgment on such matters.

8. Remuneration of Directors and Officers

During the past fiscal year the aggregate direct remuneration paid or payable by the Company to its directors and senior officers was \$200 Canadian funds.

The Company pays its directors \$25 plus reasonable travelling expenses for each meeting of directors and shareholders attended by them.

There are no pension or retirement benefits proposed to be paid to directors or senior officers of the Company. No stock options have been granted during the past fiscal year and none are in existence.

9. Principal Holdings of Shares

To the knowledge of the directors or senior officers of the Company, no person or corporation has more than 10% of the issued and outstanding shares of the Company.

10. Interest in Material Transactions

No director, senior officer or proposed nominee for election as a director of the Company or any associate or affiliate of any of them had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year or has any material interest in any proposed transaction.

Submitted on behalf of the management of Anchor Petroleums Limited this 10th day of August, 1967.
